



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MENIFEE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

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AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Hershell Sexton, Menifee County Judge/Executive

Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Menifee County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Menifee County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Menifee County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Menifee County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Hershell Sexton, Menifee County Judge/Executive

Members of the Menifee County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Menifee County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- Expenditures Should Not Exceed The Budgeted Amounts
- County Funds Should Not Have Deficit Balances
- The County Treasurer's Annual Settlement Should Be Presented To The Fiscal Court
- The County Should Adopt A Written Investment Policy
- The Fiscal Court Should Pay Claims And Obligations Within Thirty Days
- The Fiscal Court Should Invest Moneys In Interest-Bearing Account
- The County Should Practice Better Cash Management
- The County Should Have A Written Agreement To Protect Deposits
- The County Lacked An Adequate Segregation of Duties

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2000, on our consideration of Menifee County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
April 7, 2000

MENIFEE COUNTY OFFICIALS

June 30, 1998

Hershell Sexton	County Judge/Executive
John Nefzger	County Attorney
Jo Ann Curtis	County Clerk
Karen Wells	Circuit Court Clerk
Rodney Coffey	Sheriff
Ruby Morrison	Jailer
Jim Lawson	Property Valuation Administrator
Vicky Swartz	County Treasurer
Mike Perry	Coroner
Ricky Bair	Magistrate
Adron Carty	Magistrate
Bill Ledford	Magistrate
Glenn Mullins	Magistrate
Gary Shrout	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MENIFEE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund - Cash	\$ 264
Road and Bridge Fund - Cash	5,953
Jail Fund - Cash	918
Local Government Economic Assistance Fund - Cash	15
911 Emergency Fund - Cash	6,267
Fire Protection Fund - Cash	1,265
Parks and Recreation Fund - Cash	1,143
Voted Health Center Bond Fund:	
Moneys in the Hands of -	
State Local Finance Officer (Note 4)	<u>16,101</u>
Total Assets	<u><u>\$ 31,926</u></u>

Liabilities and Fund Balances

Liabilities

Voted Health Center Bond Fund:	
Bonds Matured and Unpresented (Note 4)	\$ 15,000
Interest Matured and Unpresented	1,101
Payroll Account	17,523

Fund Balances

Reserved:	
911 Emergency Fund	6,267
Fire Protection Fund	1,265
Parks and Recreation Fund	1,143
Unreserved:	
General Fund	264
Road Fund	5,953
Jail Fund	918
Local Government Economic Assistance Fund	15
Payroll Revolving Fund	<u>(17,523)</u>
Total Liabilities and Fund Balances	<u><u>\$ 31,926</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MENIFEE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 1,311,743	\$ 433,934	\$ 708,870	\$ 28,691
Transfers In	752,249	293,303	369,036	51,710
Kentucky Advance Revenue Program	341,655	207,130	134,525	
Total Cash Receipts	<u>\$ 2,405,647</u>	<u>\$ 934,367</u>	<u>\$ 1,212,431</u>	<u>\$ 80,401</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,298,849	\$ 276,279	\$ 816,899	\$ 79,584
Transfers Out	752,249	450,764	256,191	
Kentucky Advance Revenue Program Repaid	341,655	207,130	134,525	
Total Cash Disbursements	<u>\$ 2,392,753</u>	<u>\$ 934,173</u>	<u>\$ 1,207,615</u>	<u>\$ 79,584</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 12,894	\$ 194	\$ 4,816	\$ 817
Cash Balance - July 1, 1997	<u>19,032</u>	<u>70</u>	<u>1,137</u>	<u>101</u>
Cash Balance - June 30, 1998	<u><u>\$ 31,926</u></u>	<u><u>\$ 264</u></u>	<u><u>\$ 5,953</u></u>	<u><u>\$ 918</u></u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	911 Emergency Services Fund	Fire Protection Fund	Parks and Recreation Fund	Voted Health Center Bond Fund
\$ 60,971 15,625	\$ 64,471 13,935	\$ 1,205	\$ 13,601 8,640	\$
\$ 76,596	\$ 78,406	\$ 1,205	\$ 22,241	\$ 0
\$ 37,530 39,088	\$ 68,434 3,826	\$	\$ 20,123 2,380	\$
\$ 76,618	\$ 72,260	\$ 0	\$ 22,503	\$ 0
\$ (22) 37	\$ 6,146 121	\$ 1,205 60	\$ (262) 1,405	\$ 16,101
\$ 15	\$ 6,267	\$ 1,265	\$ 1,143	\$ 16,101

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Menifee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Menifee County Building Commission as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Menifee County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Menifee County Fiscal Court: Menifee County Sanitation District #1.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

MENIFEE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the county.

Note 4. Voted Health Center Bond Fund

The county issued \$100,000 of 6.1%, 6.2%, and 6.3% Voted General Obligation unlimited tax health center bonds dated March 1, 1974, with interest payable semiannually on March 1 and September 1 of each year. The issue is completely retired.

The moneys in the hands of the State Local Finance Officer consist of matured and unrepresented bonds and interest coupons as follows:

For paying bonds, #16-18	\$ 15,000
For paying interest coupons, #16-18	<u>1,101</u>
Total	<u>\$ 16,101</u>

Note 5. Insurance

For the fiscal year ended June 30, 1998, Menifee County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Contingent Liability

Ohio Casualty Company has contacted Menifee County Fiscal Court relating to a claim against Menifee County for \$250,617, relating to overpayment of insurance premium tax. The county firmly maintains that it would be illegal to return these taxes since they were voluntarily paid. This case is still pending and the outcome is uncertain.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MENIFEE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 540,933	\$ 433,934	\$ (106,999)
Road and Bridge Fund	870,960	708,870	(162,090)
Jail Fund	98,729	28,691	(70,038)
Local Government Economic Assistance Fund	59,145	60,971	1,826
911 Emergency Fund	59,000	64,471	5,471
Fire Protection Fund	1,427	1,205	(222)
Parks and Recreation Fund	17,560	13,601	(3,959)
Totals	<u>\$ 1,647,754</u>	<u>\$ 1,311,743</u>	<u>\$ (336,011)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,647,754
Less: Other Financing Uses			<u>341,655</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 1,306,099</u>

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SCHEDULE OF OPERATING REVENUE

MENIFEE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 100,310	\$ 99,157	\$	\$
County Clerk:				
Deed Transfer Tax	4,647	4,647		
Occupational Licenses	147	147		
Delinquent Taxes	6,236	6,184		
Delinquent Taxes - State Treasurer	4,844	4,844		
Excess Fees - 1997	3,561	3,561		
Tangible Personal Property Taxes:				
Other Counties	692	692		
County Clerk	27,227	27,227		
Insurance Premium Tax	102,263	102,263		
In Lieu of Taxes:				
U.S. Treasurer	28,057	28,057		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<hr/> \$ 277,984	<hr/> \$ 276,779	<hr/> \$ 0	<hr/> \$ 0
<hr/>				
<u>Federal Receipts - U.S. Treasurer</u>				
COPS Grant	<hr/> \$ 3,203	<hr/> \$ 3,203	<hr/> \$ 0	<hr/> \$ 0
<hr/>				
<u>Federal Receipts - State Treasurer</u>				
Community Development Block				
Grants -	\$ 16,894	\$	\$ 16,894	\$
Disaster and Emergency Assistance				
Grant - 1996 Snow Removal	44,406		44,406	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<hr/> \$ 61,300	<hr/> \$ 0	<hr/> \$ 61,300	<hr/> \$ 0

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	911 Emergency Services Fund	Fire Protection Fund	Parks and Recreation Fund
<u> </u>	<u> </u>	<u> </u>	<u> </u>

\$	\$	\$ 1,153	\$
----	----	----------	----

52

<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 0	\$ 0	\$ 1,205	\$ 0

<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
-------------	-------------	-------------	-------------

\$	\$	\$	\$
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<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 0	\$ 0	\$ 0	\$ 0

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 24,000	\$	\$	\$ 24,000
Medical Allotments	1,611			1,611
Driving Under The Influence Fees	504			504
Circuit Clerk	1,343			1,343
County Road Aid	435,204		435,204	
Public Defender Allotment	11,628	11,628		
Truck License Distribution	151,651		151,651	
National Forest	37,238		37,238	
Medical Center	20,657	20,657		
Cellular Phone	2,393	2,393		
Ambulance Service	25,286	25,286		
Courthouse Rental - Administrative				
Office of the Courts	12,492	12,492		
Refunds:				
Legal Process Tax	52	52		
Drivers License	539		539	
State Reimbursement	3,474	3,250		
Severance Taxes:				
Coal	19,800			
Mineral	41,171			
Board of Assessments	200	200		
Grants:				
Disaster and Emergency Services				
Reimbursement	450	450		
Totals	<u>\$ 789,693</u>	<u>\$ 76,408</u>	<u>\$ 624,632</u>	<u>\$ 27,458</u>

MENIFEE COUNTY
SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	911 Emergency Services Fund	Fire Protection Fund	Parks and Recreation Fund
\$	\$	\$	\$
19,800			224
41,171			
\$ 60,971	\$ 0	\$ 0	\$ 224

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 9,232	\$ 5,597	\$ 3,635	\$
Swimming Pool and Park Receipts	11,877			
Rents and Leases				
Gateway Health Department	6,500	6,500		
Gateway Regional Health	29,820	29,820		
Provident Bank	21,429	21,429		
Board of Education	1,500			
Soil Conservation office	2,101	2,101		
Telephone 911 Fees	64,471			
Telephone Reimbursements	1,192	1,118	74	
Miscellaneous Items	31,441	10,979	19,229	1,233
Totals	\$ 179,563	\$ 77,544	\$ 22,938	\$ 1,233
Total Operating Revenue	\$ 1,311,743	\$ 433,934	\$ 708,870	\$ 28,691

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	911 Emergency Services Fund	Fire Protection Fund	Parks and Recreation Fund
\$	\$	\$	\$
			11,877
			1,500
	64,471		
\$ 0	\$ 64,471	\$ 0	\$ 13,377
\$ 60,971	\$ 64,471	\$ 1,205	\$ 13,601

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MENIFEE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 16,920	\$ 15,000	\$ 1,920
Secretary	5,376	179	5,197
Office Materials and Supplies	501	501	
Office of County Attorney:			
Salaries-			
County Attorney	4,152	4,152	
Secretary	2,535	2,535	
Office Materials and Supplies	846	488	358
Office of County Clerk:			
Fees	1,550	1,542	8
Office of Sheriff:			
Deputies' Salaries	25,057	25,057	
Advertising Tax Bills	2,234	2,234	
Materials and Supplies	1,494	1,494	
Deputies Expenses	15,500	6,958	8,542
Sheriff's Tax Settlement	750	750	
Fiscal Court:			
Magistrates' Salaries	6,732	3,581	3,151
Copy Machine	4,700	99	4,601
Membership Dues	1,410	433	977
Telephone	7,013	7,013	
Office of Property Valuation Administrator:			
Statutory Contribution	5,214	5,214	
Office of County Treasurer:			
County Treasurer Salary	4,700	4,433	267
Printing and Advertising	705	304	401

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
County Finance Officer	\$ 2,577	\$ 500	\$ 2,077
County Law Library:			
Law Librarian Salary	1,400	1,400	
Elections:			
Per Diem-			
Election Commissioners	375	375	
Election Officers	2,102	2,102	
Setting Up Voting Places	4,003	4,003	
Courthouse:			
Renewals and Repairs	10,000	5,376	4,624
Utilities	25,498	25,498	
Rentals	8,500	8,400	100
Supplies	500	121	379
<u>Protection to Person and Property</u>			
Disaster and Emergency Services:			
Director Salary	1,800	1,500	300
Equipment	3,250	2,092	1,158
Ambulance Service:	57,786	47,786	10,000
Office of Public Defender:			
Mandated Program Support	13,950	13,600	350
Dog Warden	5,000	5,000	
COPS Grant	2,714		2,714

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Debt Service</u>			
Borrowed Money:			
Interest	\$ 4,868	\$ 4,429	\$ 439
<u>Administration</u>			
General Services:			
Bank Charges	250	178	72
Insurance	1,120		1,120
Auditing Services	13,171	13,171	
Miscellaneous	27,360	27,360	
Fringe Benefits:			
County Contributions-			
Social Security	7,005	5,624	1,381
Retirement	5,052	4,383	669
Health Insurance	14,327	12,196	2,131
Life Insurance	1,054	927	127
Worker's Compensation	1,950	1,950	
Unemployment Insurance	2,802	2,802	
Hazardous Duty Retirement	8,000	3,539	4,461
Total Operating Budget	\$ 333,803	\$ 276,279	\$ 57,524
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	207,130	207,130	
Total General Fund	\$ 540,933	\$ 483,409	\$ 57,524

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 21,000	\$ 21,000	\$
Secretary	7,200	7,200	
Materials and Supplies	3,102	3,102	
Fiscal Court:			
Magistrates-			
Salaries	7,162	7,162	
Xerox Copier	6,250	6,250	
Dues	5,558	5,558	
Office of County Treasurer:			
County Treasurer Salary	6,459	6,459	
Printing and Advertising	478	478	
Finance Officer	4,000	4,000	
Office of County Attorney:			
Salaries-			
County Attorney	4,152	4,152	
Secretary	1,755	1,755	
Materials and Supplies	1,075	1,075	
Road Maintenance:			
Salaries-			
Road Foreman	22,039	22,039	
Road Labor	132,000	214,003	(82,003)
Crushed Stone and Gravel	137,821	137,821	
Gasoline	46,637	46,637	
Machinery and Equipment	11,379	11,379	
Machinery and Equipment Repairs	22,581	22,581	
Materials and Supplies	39,101	39,101	
Pipe	2,383	2,383	
Contracts With Vehicle Owners	8,930	8,930	

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Road Maintenance</u> (Continued)			
Telephone	\$ 4,488	\$ 4,488	\$
Utilities	8,547	8,547	
Miscellaneous	74,084	73,085	999
Borrowed Money:			
Interest - KARP	3,161	2,876	285
<u>Administration</u>			
General Services:			
Bank Charges	356	356	
Audit Services	18,238	18,238	
Property Liability Insurance	22,607	22,607	
Payments to Government Agencies:			
Board of Education	17,861	17,814	47
City of Frenchburg	1,543	1,543	
Fringe Benefits:			
County Contributions-			
Retirement	23,114	23,114	
Social Security	15,934	15,934	
Life Insurance	2,798	2,798	
Health Insurance	28,495	28,495	
Worker's Compensation	18,380	18,172	208
Unemployment Insurance	5,767	5,767	
Total Operating Budget	\$ 736,435	\$ 816,899	\$ (80,464)
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	134,525	134,525	
Total Road and Bridge Fund	\$ 870,960	\$ 951,424	\$ (80,464)

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 15,808	\$ 15,808	\$
Jail Personnel	6,141	3,901	2,240
Association Dues	6		6
Routine Medical	2,000	973	1,027
Transporting Prisoners to			
Other Counties	4,305	4,305	
Housing Juveniles	12,000	12,000	
Contracts With Other Counties	50,803	35,359	15,444
Miscellaneous Operating Expense	631	545	86
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Hazardous Duty Retirement	2,956	2,708	248
Social Security	1,124	1,030	94
Life Insurance	127	127	
Health Insurance	2,828	2,828	
Total Jail Fund	\$ 98,729	\$ 79,584	\$ 19,145

LOCAL GOVERNMENT ECONOMIC
ASSISTANCE FUND

General Government

Office of County Coroner:

Salaries -			
Coroner	\$ 3,600	\$ 3,600	\$
Deputy Coroner	1,200	1,200	
Operating Expenses	713	713	
Miscellaneous	673	673	

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u> (Continued)			
<u>Roads</u>			
Road Maintenance:			
Landfill Contract	\$ 34,178	\$ 30,788	\$ 3,390
Garbage Collection	9,836		9,836
<u>Administration</u>			
Administrative Services	5,940		5,940
Fringe Benefits:			
County Contributions-			
Retirement	1,301	180	1,121
Social Security	1,242	376	866
Life Insurance	110		110
Health Insurance	352		352
Total Local Government Economic Assistance Fund	<u>\$ 59,145</u>	<u>\$ 37,530</u>	<u>\$ 21,615</u>
<u>911 EMERGENCY FUND</u>			
<u>General Government</u>			
Dispatchers Salaries	\$ 42,303	\$ 48,232	\$ (5,929)
Telephone	945	1,011	(66)
<u>Administration</u>			
Fringe Benefits:			
Retirement	3,822	3,822	
Social Security	2,465	3,212	(747)
Health Insurance	8,882	11,574	(2,692)
Life Insurance	583	583	
Total 911 Emergency Fund	<u>\$ 59,000</u>	<u>\$ 68,434</u>	<u>\$ (9,434)</u>

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FIRE PROTECTION FUND</u>			
Kentucky State Treasurer - Forestry	\$ 1,427	\$	\$ 1,427
<u>PARKS AND RECREATION FUND</u>			
Park and Swimming Pool:			
Salaries	\$ 5,000	\$ 6,024	\$ (1,024)
Materials and Supplies	4,218	4,535	(317)
Renewals and Repairs	3,630	3,630	
Miscellaneous	4,557	5,779	(1,222)
<u>Administration</u>			
Fringe Benefits:			
Social Security	155	155	
Total Parks and Recreation Fund	\$ 17,560	\$ 20,123	\$ (2,563)
Total Operating Budget - All Funds	\$ 1,306,099	\$ 1,298,849	\$ 7,250
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	341,655	341,655	
TOTAL BUDGET - ALL FUNDS	\$ 1,647,754	\$ 1,640,504	\$ 7,250

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Menifee County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated April 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Menifee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- Expenditures Should Not Exceed The Budgeted Amounts
- County Funds Should Not Have Deficit Balances
- The County Treasurer's Annual Settlement Should Be Presented To The Fiscal Court
- The County Should Adopt A Written Investment Policy
- The Fiscal Court Should Pay Claims And Obligations Within Thirty Days
- The Fiscal Court Should Invest Moneys In Interest-Bearing Account
- The County Should Practice Better Cash Management
- The County Should Have A Written Agreement To Protect Deposits
- The County Lacked An Adequate Segregation Of Duties

Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menifee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Menifee County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions are described in the accompanying comments and recommendations.

- The County Treasurer's Annual Settlement Should Be Presented To The Fiscal Court
- The County Should Practice Better Cash Management
- The County Lacked An Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weakness:

- The County Treasurer's Annual Settlement Should Be Presented To The Fiscal Court
- The County Should Practice Better Cash Management
- The County Lacked An Adequate Segregation Of Duties

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 7, 2000

COMMENTS AND RECOMMENDATIONS

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

STATE LAWS AND REGULATIONS:

1. Expenditures Should Not Exceed The Budgeted Amounts

Menifee County exceeded appropriated expenditures by \$80,464 in the Road and Bridge Fund, \$9,434 in the 911 Emergency Fund, and \$2,563 in the Parks and Recreation Fund. KRS 68.300 states, "Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim." We recommend the fiscal court comply with this statute in the future by making the appropriate budget amendments or by restricting appropriation expenditures to within budget limitations.

County Judge/Executive's Response:

No response.

2. County Funds Should Not Have Deficit Balances

At June 30, 1998, county payroll revolving fund had a deficit fund balance of \$17,523. This deficit was caused by Menifee County Fiscal Court obligating more money than was collected during fiscal year ended June 30, 1998. KRS 68.110 states the fiscal court shall not in any year expend money in excess of the amount annually levied and collected for that year. We recommend the Menifee County Fiscal Court monitor its budget and cash flow to prevent future overspending. We further recommend the Menifee County Fiscal Court avoid spending more money than collected.

County Judge/Executive's Response:

No response.

3. The County Treasurer's Annual Settlement Should Be Presented To The Fiscal Court

The County Treasurer did not make a settlement with the fiscal court within thirty days. KRS 68.020 requires the County Treasurer to make a full and complete settlement within thirty days after the close of each fiscal year. We recommend the County Treasurer present a complete settlement to the fiscal court within 30 days as required by KRS 68.020.

County Judge/Executive's Response:

This will be done.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1998
(Continued)

4. The County Should Adopt A Written Investment Policy

According to KRS 66.480, the County should have adopted a written investment policy as of January 1, 1995. We understand that fiscal court funds are scarce, but policy should also cover the fee official's collections. As of the audit date, the county still had not complied with this statute. We recommend the county adopt a written investment policy.

County Judge/Executive's Response:

This is being done.

5. The Fiscal Court Should Pay Claims And Obligations Within Thirty Days

During the course of our audit, it came to our attention that many invoices and obligations were not being paid in a timely manner. The June 1998 invoice for the Montgomery County Regional Jail included \$13,750 past due. KRS 65.140 requires all bills for goods and services be paid within thirty working days of receipt of vendor's invoice. We recommend the Menifee County Fiscal Court monitor the payment of claims and require that claims be paid on a timely basis.

County Judge Executive's Response:

We are trying to resolve this situation.

6. The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts

Menifee County Fiscal Court does not fully utilize interest-bearing bank accounts. The Road and Bridge Fund maintains an interest-bearing passbook savings account which is only used occasionally. Other county funds do not earn interest. The use of interest-bearing accounts is a cash management tool that enables the county to obtain a greater benefit for its money. The county has lost out on interest revenue by not depositing all county funds in interest-bearing bank accounts. We recommend the county utilize interest-bearing accounts for all county funds.

County Judge/Executive's Response:

We are working with the bank to remedy this situation.

7. The County Should Practice Better Cash Management

During fiscal year ended June 30, 1998, the fiscal court had a total of \$5,038 in overdraft charges in several of its funds, including \$4,698 of overdraft charges in the payroll revolving account alone. Also, excessive penalties and interest of \$59,731 were paid to the Internal Revenue Service to cover delinquent federal employment taxes due from a prior year. We recommend the fiscal court monitor cash flows to prevent future fund deficits, penalties, and overdrafts. We further recommend the county suspend all but essential expenditures until cash flow problems are resolved. This matter will be referred to the Attorney General's office for further review.

County Judge/Executive's Response:

The County Judge stated he was not aware these overdraft charges were excessive.

MENIFEE COUNTY

COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

(Continued)

8. The County Should Have A Written Agreement To Protect Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the county. We recommend the fiscal court enter into a written agreement with the depository institution.

County Judge/Executive's Response:

This has been taken care of.

9. The County Lacked An Adequate Segregation Of Duties

Menifee County Fiscal Court lacked an adequate segregation of accounting duties. There is a limited staff size that prevents an adequate division of accounting responsibilities. Furthermore, the County Treasurer has statutory authority to assume the role as custodian of assets as well as recorder of transactions and preparer of financial statements. An adequate segregation of accounting duties is a judgement established by management and is effected by circumstances beyond management's control. Management has assessed costs associated with increasing these internal controls and has decided these costs outweigh the benefits of increased controls. Therefore, the Auditor of Public Accounts has judged that this lack of an adequate segregation of accounting duties is a material reportable condition.

County Judge/Executive's Response:

This situation is being worked on.

PRIOR YEAR:

In the prior year audit, we reported several areas of noncompliance. Those that have not been corrected are commented on in the current year audit findings and are as follows:

- County Funds Should Not Have Deficits
- The County Treasurer's Annual Settlement Should Be Presented To The Fiscal Court
- The County Should Adopt A Written Investment Policy
- The Fiscal Court Should Pay Claims And Obligations Within Thirty Days
- The County Should Utilize Interest-Bearing Accounts
- The County Should Practice Better Cash Management

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MENIFEE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MENIFEE COUNTY FISCAL COURT

The Menifee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer

